

ThE GRaAT GRaSh

WHAT IS "STOCK"?



INVESTOR



COMPANY

A sample stock certificate form with a decorative border. The text on the form includes:

STOCK CERTIFICATE

Corporate Name: _____

Incorporated in _____, State of _____

has a total authorized amount of _____ shares, of _____ par value.

This is to certify that _____ is the owner of _____ shares of _____ stock of the above named corporation, which are non-assessable, fully paid shares. The transfer of these shares must be done in accordance with the by-laws of the named corporation or in accordance with the advice of the registered attorney or officer of the named corporation, and recorded in the books of the corporation.

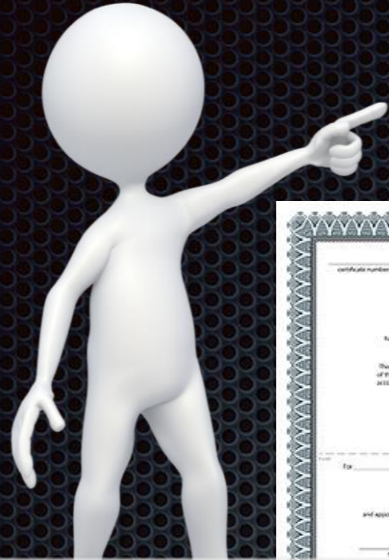
President _____ Secretary _____ Treasurer _____

For _____, we will and transfer _____ shares of the _____ shares of the _____

and appoint _____ to record this transfer in the corporate books.

Name of applicant _____ Signature of member _____ Witness _____

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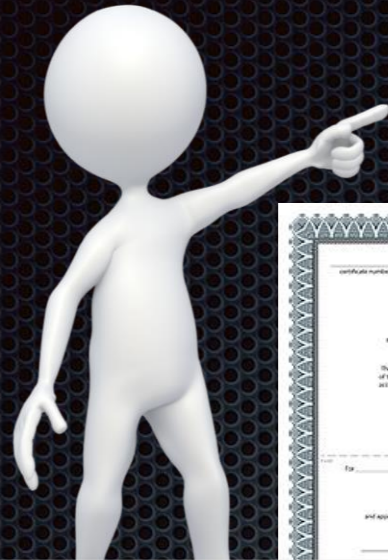


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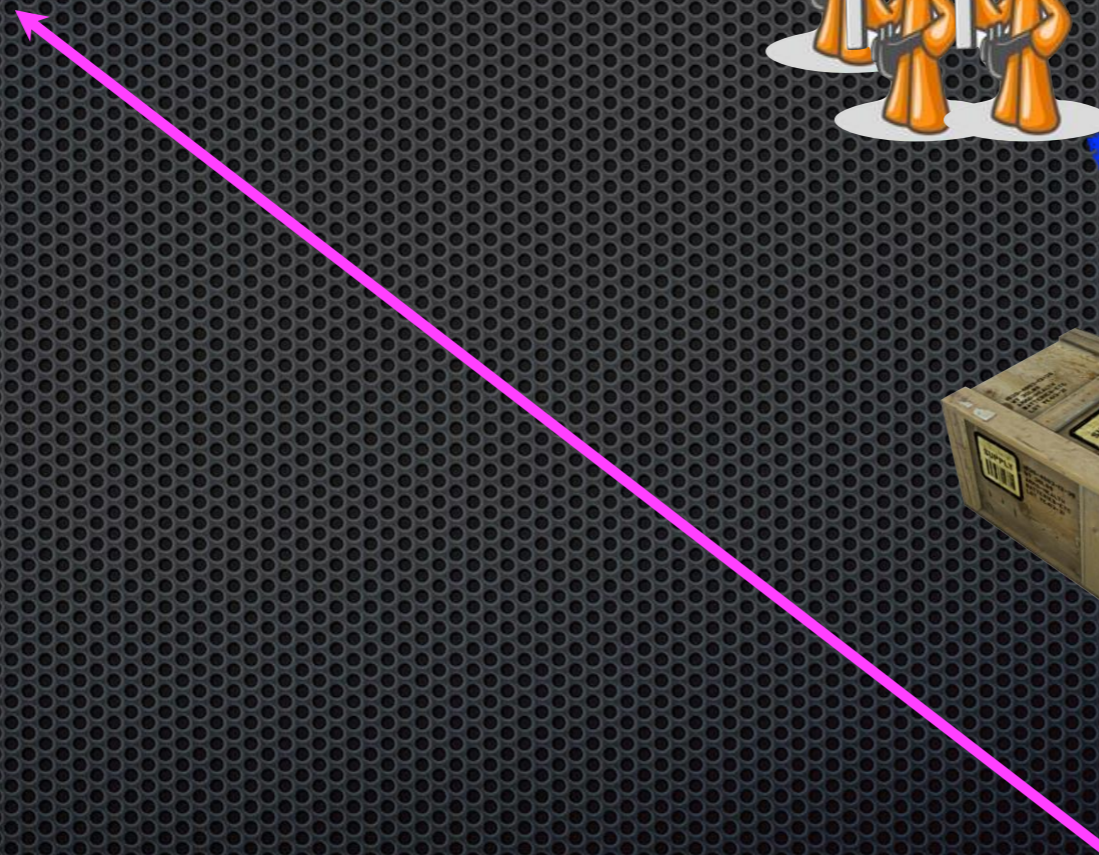
COMPANY



PROFITS



INVESTOR



WHAT IS "STOCK"?

COMPANY



PROFITS



INVESTOR

INVESTOR #2



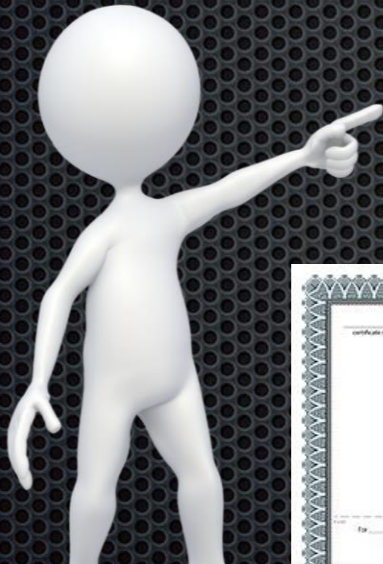
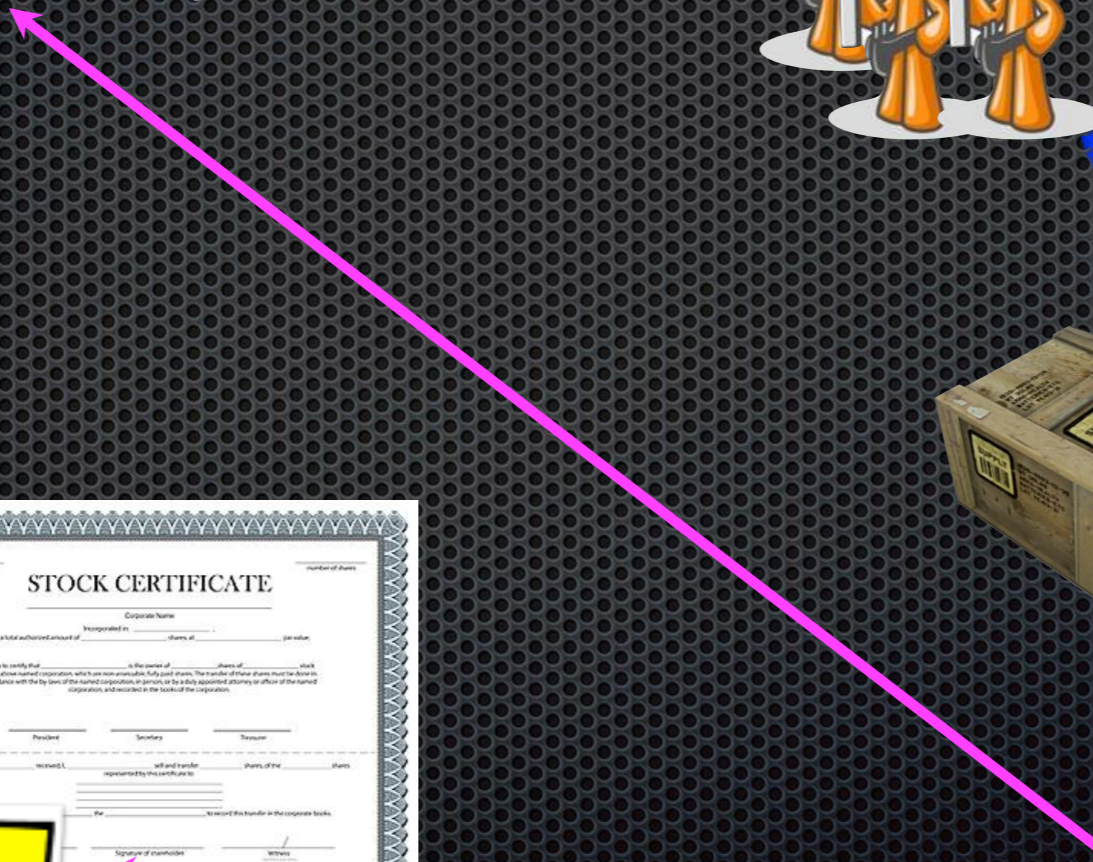
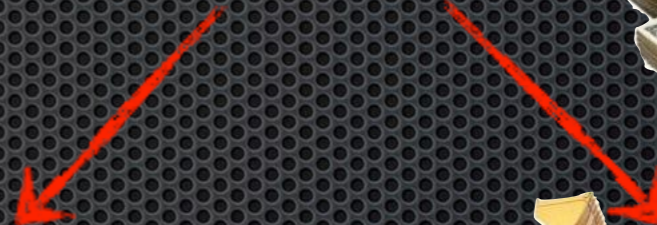
WHAT IS "STOCK"?

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PROFITS



BY THE END OF THE 1920s, SOMETHING WAS TERRIBLY WRONG WITH THE US ECONOMY...

PRICES WERE RISING FAST BUT WAGES WERE STAGNANT



CONSUMERS REACHED THEIR CREDIT LIMITS & SPENDING SLOWED



SLOW SALES MEANT US FIRMS STRUGGLED TO MAKE PROFITS



WHICH LEADS TO...

AN ARTIFICIAL PROSPERITY

THE SIGNS THAT THE TWENTIES BUBBLE WAS ABOUT TO BURST!



INDUSTRIES IN TROUBLE

Key US industries **weren't making profit**
COAL, OIL, STEEL, TEXTILES, HOUSING, AUTO

FARMERS STRUGGLE TO SURVIVE

Falling prices made it hard to **repay debts**
FARMERS LOST HOMES, RURAL BANKS FAILED

Gov. enacted **price supports** to set **crop prices high** and help farmers make profits

CONSUMERISM GRINDS TO A HALT

Consumers ran out of **disposable income** & credit, so purchases slowed

RISING DEBT

Both consumers & firms spent beyond their means & ran up **unpayable debts**

UNEVEN DISTRIBUTION OF INCOME

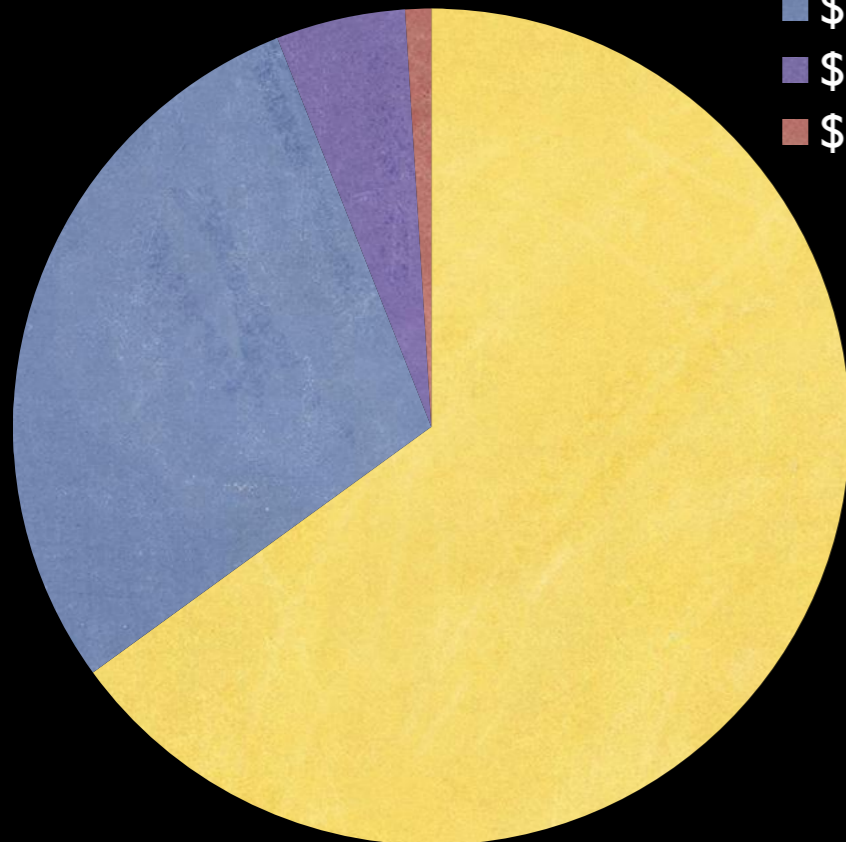


More important, the prosperity of the 1920s hid a vast **inequality of income**. **DURING THE 20s, THE RICH GOT RICHER AND THE POOR GOT POORER**

Only a **very small number** of Americans **actually prospered** during the 20s boom. **WEALTHIEST 1% SAW THEIR WEALTH GROW 75%, WHILE MOST SAW ONLY 7% INCREASE**

ANNUAL U.S. INCOME IN THE 1920s

- \$1999 & under (65%)
- \$2000 - \$4999 (29%)
- \$5000 - \$9999 (5%)
- \$10,000 & over (1%)



SIGNIFICANCE?

MORE THAN 70% OF AMERICAN FAMILIES LIVED AT THE POVERTY LINE

MOST **COULDN'T AFFORD** BASICS, **DIDN'T SAVE MONEY** FOR NEST EGG & **USED CREDIT** TO GET BY!

**IN ADDITION, AMERICANS LOOKED
FOR QUICK RICHES IN...**

**The
STOCK MARKET**



RISKY STOCK MARKET PRACTICES



AS RICH GREW RICHER, THEY INVESTED IN THE **Stock Market** Looking for **quick wealth** THEY OBSESSED OVER THE **DOW JONES INDUS. AVER.** (SHOWS MARKET'S HEALTH W/ POINTS)

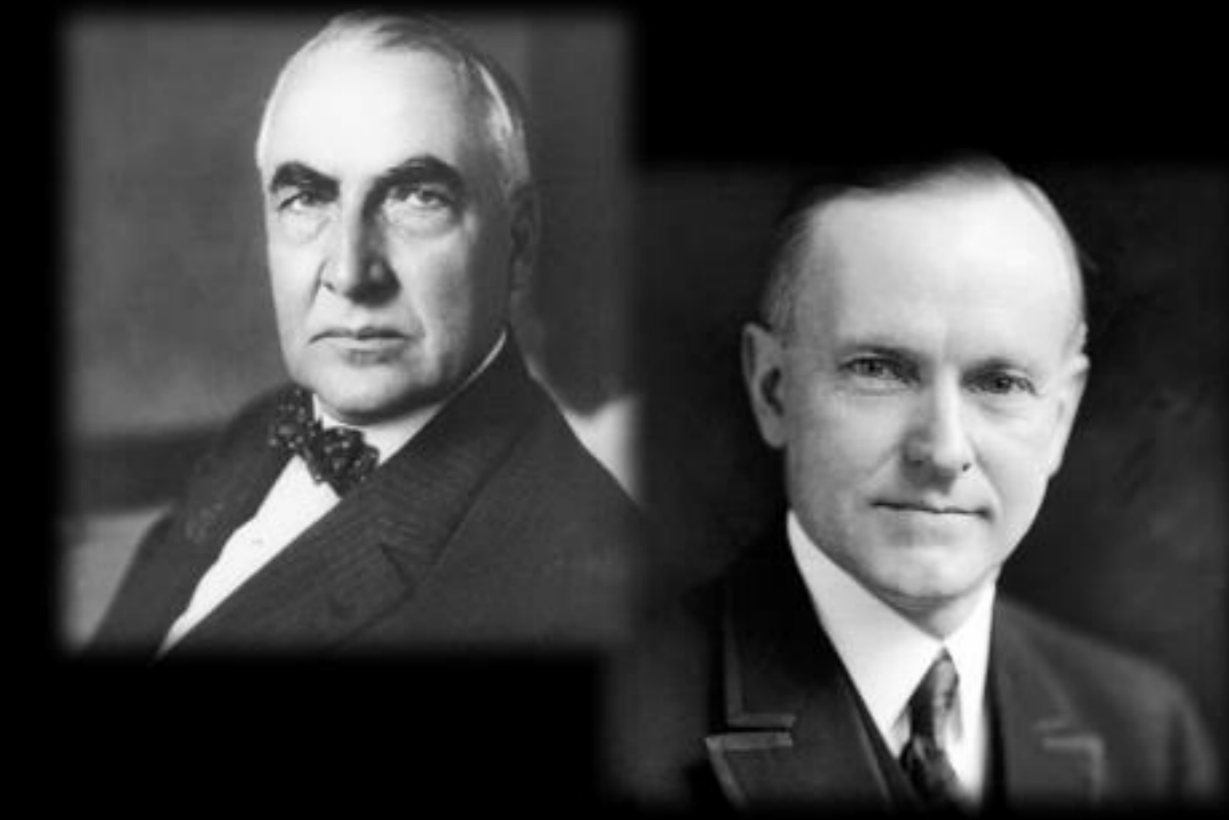
DURING THE 20s, **deregulation** of markets & **pro-business policies** had **eased rules** **HARDING & COOLIDGE** HAD RECKLESSLY EASED **GOV REG.** THAT ALLOWED RISKY PRACTICES

SPECULATION

Investors bought stocks based on **hopes** for a **quick profit**, NOT ON **MERITS OF FIRM**

BUYING "ON MARGIN"

Investors bought stocks w/ **ONLY SMALL** **DOWN PAYMENT** & paid the rest w/ **CREDIT**



THE RECIPE FOR ECONOMIC COLLAPSE



VAST INCOME INEQUALITY AMONG CONSUMERS

KEY INDUSTRIES STRUGGLING TO MAKE PROFITS

70% ON CONSUMERS LIVING AT THE POVERTY LINE
WITHOUT SAFETY NET SAVINGS

CONSUMER SPENDING GRINDING TO A HALT

FARMERS UNABLE TO PAY DEBT & RURAL
FORECLOSURES

OVER USE OF CREDIT TO MEET NEEDS

RISKY STOCK INVESTMENTS

**LET'S LOOK AT THE SYMBOLIC
START OF THE GREAT
DEPRESSION...**

**The STOCK MARKET
CRASH**

THE MARKET BEGINS TO CRASH



By 1929, the Dow had risen 300% from the previous decade
ONLY 3% OF AMERICANS WERE IN STOCKS,
BUT IT SEEMED ANYONE COULD GET RICH

Oct. 1929 - Rumors spread that big investors were ready to sell their stock
MARKET CONFIDENCE STUMBLER, INVESTORS
HURRIEDLY SOLD STOCK TO AVOID LOSSES

OCTOBER 24, 1929

Panicked investors dumped their stocks
IN MASS NUMBERS

As stock prices sank, wealthy bankers
bought bad stocks to stabilize the market
THE DOW STABILIZED GOING INTO THE
WEEKEND

October 24th, 1929

WALL ST. PANIC AS STOCKS CRASH

Billions lost; wave of selling
engulfs the financial market

“BLACK TUESDAY”

OCTOBER 29, 1929

OCTOBER 29, 1929

When traders returned to the Exchange Monday, the **bottom fell out** of the market

OCTOBER 29, 1929

“Black Tuesday” was the **worst day of the crash**, saw the **biggest drop in stocks**

PANIC OVERTOOK INVESTORS AS THEY DUMPED 16.4M SHARES AND STOCK PRICES SANK

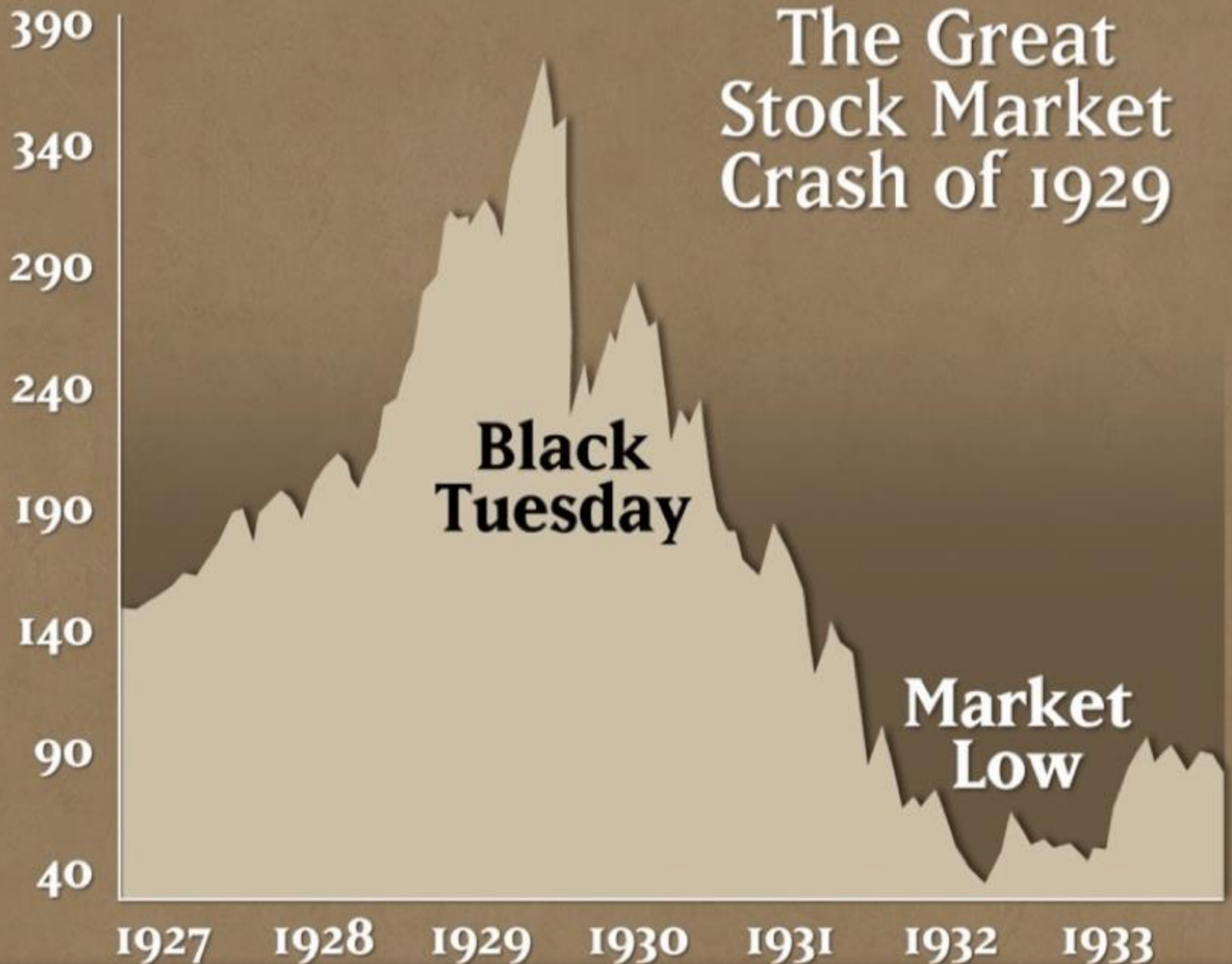
SMALL INVESTORS WERE LEFT W/ HUGE DEBT, FIRMS LOST MONEY, MANY LOST ALL SAVINGS

By November 1929, the market had **lost \$30 billion**, US output was **cut in half**



The Great Stock Market Crash of 1929

Dow Jones



THE CRASH WAS FOLLOWED BY

Bank failures

PANIC LEADS TO FINANCIAL COLLAPSE

Most Americans didn't have money in stocks, but they had money in banks. THE UNCERTAINTY CAUSED BY THE CRASH LED TO PANIC TO WITHDRAW SAVINGS FROM BANKS.

Banking Panic of 1929 - MILLIONS rushed the banks to withdraw all savings at once. THE BANK RUSH DRAINED FUNDS, MANY BANKS FAILED B/C COULDN'T COVER WITHDRAWALS.

Over 600 banks failed by December 1929 & MILLIONS of Americans lost their savings.

Banks that had invested in stocks lost \$\$ & failed, evaporating private savings. UNLIKE TODAY, THE GOV DIDN'T INSURE BANK DEPOSITS, SO MONEY LOST WAS LOST FOREVER.



CLOSURE

analyze the following:



"Keep out of there, you bum! That's the millionaires' bread line!"